

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3891-01
Bill No.: HB 1639
Subject: Taxation and Revenue - General and Income
Type: Original
Date: February 25, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
General Revenue	(\$416,328,294)	(\$432,600,000)	(\$450,300,000)
Total Estimated Net Effect on <u>All</u> State Funds	(\$416,328,294)	(\$432,600,000)	(\$450,300,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation lowers the income tax rate for tax years beginning on or after January 1, 2002.

DOR assumes this legislation will require modifications to the individual income tax systems, including MINITS, ELF and Speed Up. The Division of Taxation estimates these modifications, including programming changes, will require 692 hours of contract labor at a cost of \$23,791. Modifications to tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$4,503 is requested for implementation costs.

Officials of the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal reduces all individual income tax rates by ½ %. BAP estimates the loss in revenue for FY03 to be \$416.3 million, \$432.6 million in FY04 and \$450.3 million in FY05 based on BAP's Individual Income Tax Simulator.

University of Missouri, Research Center (UMRC) officials assume the decrease in the individual income tax rate by ½ percent would decrease tax revenue by \$362.6 million on simulation tax year 2000 data.

Officials from the **Secretary of State** assume this legislation will have no fiscal impact on their agency.

This legislation would decrease Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
GENERAL REVENUE FUND			
<u>Loss - General Revenue Fund</u>			
Decrease in individual income tax rates	(\$416,300,000)	(\$432,600,000)	(\$450,300,000)
<u>Cost - Department of Revenue</u>			
Programming	(\$28,294)	\$0	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$416,328,294)</u>	<u>(\$432,600,000)</u>	<u>(\$450,300,000)</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005

FISCAL IMPACT - Local Government

FY 2003 (10 Mo.)	FY 2004	FY 2005
\$0	\$0	\$0

FISCAL IMPACT - Small Business

Some small businesses could expect to pay less tax.

DESCRIPTION

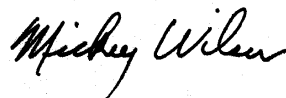
This bill lowers the tax percentage rates of the 10 income brackets used in the computation of individual income tax liability. The bill lowers the tax percentage of each income bracket by 0.5%. The top rate for taxable income over \$9,000 will be 5.5% instead of 6%.

The rate reduction will apply to tax years beginning on or after January 1, 2002.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget and Planning
University of Missouri, Research Center
Secretary of State



Mickey Wilson, CPA
Acting Director
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